

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6345
BILL NUMBER: HB 1035

NOTE PREPARED: Dec 4, 2009
BILL AMENDED:

SUBJECT: Wineries.

FIRST AUTHOR: Rep. Welch
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows the holder of an Indiana farm winery permit to own 50% or less of a limited wine wholesaler's permit. It allows an Indiana consumer to buy wine from a direct wine seller and have it shipped using a third-party verification service retained by the winery (as an alternative to providing information in an initial face-to-face transaction with the winery).

The bill allows a direct wine seller to direct ship not more than 90,000 liters of wine in Indiana in any permit year. It allows a direct wine seller to be issued a supplemental direct wine seller permit that entitles the permit holder to sell not more than 2,000 gallons of wine at wholesale during a permit year. It also establishes an annual fee of \$50 for a supplemental direct wine seller permit.

This bill provides that the Alcohol and Tobacco Commission may: (1) fine a direct wine seller; and (2) suspend or revoke a direct wine seller's permit; for noncompliance. It repeals provisions concerning other penalties for noncompliance with the direct wine seller's permit law.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *Alcohol and Tobacco Commission (ATC)* :This bill could increase administrative expenditures for the ATC by requiring the ATC to amend rules governing issuance of wine permits and to monitor compliance with rules. It is anticipated that the provisions of this bill could be implemented through the use of existing staff and resources.

Explanation of State Revenues: *Impact of Additional Wine Sales:* This bill establishes that an Indiana consumer can buy wine and have it shipped directly from an Indiana farm winery using a third-party verification service. This bill also allows a direct wine seller to direct ship not more than 90,000 liters of

wine in Indiana in any permit year (current statute limit is 27,000 liters). It is estimated that the provisions of this bill could increase alcoholic beverage sales. Sales changes will affect collections of both Alcoholic Beverage Excise Taxes and Sales Tax. However, any impact on Sales Tax revenue is expected to be minimal since any additional purchases of alcohol would likely reduce consumer spending on other sales taxable items.

The Alcoholic Beverage Excise Taxes are distributed in varying amounts to the following funds: state General Fund, the Post War Construction Fund, the Enforcement and Administration Fund (EAF), the Addiction Services Fund, and the Wine Grape Market Development Fund. The state retains 50% of the General Fund distribution of Beer and Wine Excise Tax revenue. The remainder is distributed to cities and towns based on population.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Supplemental Direct Wine Seller's Permit Fees: This bill establishes a supplemental direct wine seller's permit. The bill could increase permit fee revenues deposited in the state General Fund and the EAF. A supplemental direct wine seller's permit is issued only to a holder of a direct wine seller's permit. ATC's statewide permit counts as of August 4, 2009, show that there are 110 direct wine seller permits issued.

The increase in permit fee revenues is indeterminable and will depend on the number of supplemental direct wine seller's permits that are issued. The fee for this permit is \$50 per year, and 66% of the revenues will be deposited in the state General Fund and 34% in the EAF.

Background Information- A holder of a supplemental direct wine seller's permit is entitled to sell, furnish, and deliver wine from inventory that has been located in the holder's premises before the time of invoicing and delivery to the wine wholesaler, a wine retailer, a supplemental caterer, a temporary wine permittee, and a wine dealer in Indiana at wholesale. The permit entitles the holder to sell not more than 2,000 gallons of wine at wholesale during a permit year.

Explanation of Local Expenditures:

Explanation of Local Revenues: To the extent that revenue from Alcoholic Beverage Excise Taxes increase revenues going into the General Fund, revenues to cities and towns would increase.

State Agencies Affected: ATC.

Local Agencies Affected: Cities and towns.

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